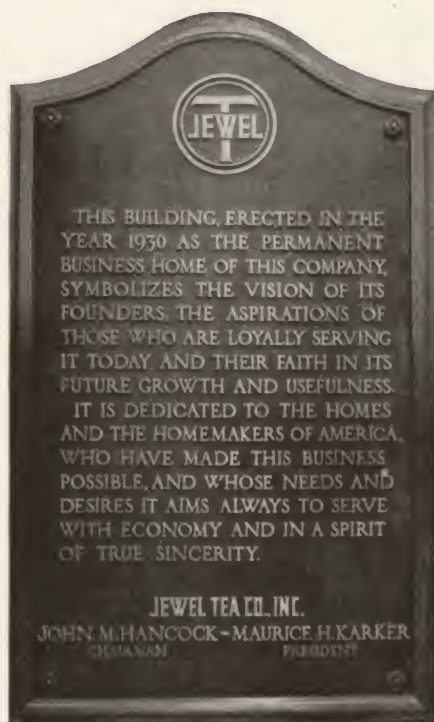






# JEWEL TEA





# CO., INC. JEWEL PARK BARRINGTON, ILL.

## DIRECTORS:

HENRY S. BOWERS  
JOHN M. HANCOCK  
A. VERNON JANNOTTA

M. H. KARKER  
F. M. KASCH  
C. W. KAYLOR

E. E. RICHARDS  
WALTER E. SACHS  
ROBERT R. UPDEGRAFF

## OFFICERS:

JOHN M. HANCOCK  
*Chairman of the Board of Directors*  
M. H. KARKER  
*President*

ROBERT HILTON, *Vice Pres.—Administration*  
F. M. KASCH, *Vice Pres.—Food Stores*  
C. W. KAYLOR, *Vice Pres.—Public Relations*  
ROBERT W. MUIR, *Secretary*

J. M. FRIEDLANDER, *Treasurer*  
A. U. HUNT, *Controller*  
F. J. LUNDING, *Asst. Secretary*  
T. EDW. DAVIS, *Asst. Secretary*

## TRANSFER AGENT:

MANUFACTURERS TRUST COMPANY, 55 Broad Street, New York City

## REGISTRAR:

THE COMMERCIAL NATIONAL BANK & TRUST COMPANY OF NEW YORK  
56 Wall Street, New York City

## AUDITORS:

TOUCHE, NIVEN & Co., *Certified Public Accountants, New York and Chicago*





Barrington, Illinois  
February 4, 1938

## TO THE STOCKHOLDERS:

The twenty-second annual report of your company, for the fiscal year 1937 ended January 1, 1938, is presented herewith.

**PROFITS** Net profit for the year — after provision for taxes (including \$10,269.88 for surtax on undistributed profits), depreciation, and reserves — was \$1,452,119.56 or \$5.19 per share on the 280,000 shares issued, compared with \$1,794,100.83, or \$6.41 per share in 1936. Your company's fiscal year 1936 included 53 weeks, whereas there were 52 weeks in the fiscal year 1937. Both the cost of goods and the expenses of operation were materially higher than in the previous year.

**SALES** Total sales amounted to \$23,277,440.93 compared with \$20,762,707.38 in 1936, an increase of 12.11%. The number of operating units was increased by 15 routes (.98%) and 9 stores (9.00%) and the cost of starting these units was charged to current operations. Your company is engaged in constant research and tests in the development of more efficient distribution methods and new markets.

**WORKING CAPITAL** Net working capital amounted to \$4,371,305.38 and the ratio of current assets to current liabilities was 4.67 to one. Marketable securities include the following groups of bonds at market quotations as of January 1, 1938: Federal government obligations \$609,155.72, state and municipal bonds \$565,671.80, industrial, public utility and others \$676,090.95. Marketable securities were adjusted from cost to market in the amount of \$61,028.91 which was charged to operations.

Your company had on hand and under contract a total of 45,755 bags of coffee at the end of the year, a stock sufficient to meet roasting needs for 12 weeks. Your company enters into contracts for the purchase of commodities and merchandise essential to the conduct of the business and the amount of its commitments outstanding is only such as is prudently required to meet production and merchandising needs. Coffee and other commodity futures contracts are regularly reported under the item "contingent liabilities" on the balance sheet and the commodities to be received thereunder are valued at cost or market, whichever is lower, as of the date of the report, and the loss is covered in full by reserve in the valuation of inventories.

On May 1, 1937 your company acquired the land and building at 3617 South Ashland Avenue in Chicago, occupied as a distribution warehouse for Jewel Food Stores. The property consisted of an eight-story fire-proof warehouse with a single story garage attached and has been further improved by the addition of a single story refrigerated and assembly building with double railroad trackage.

**OPERATING EXPENSES** Expenses for 1937 were 7.05% higher than in 1936 and the increase is due chiefly to higher wages and taxes, which amounted to \$6,257,082.17 compared with \$5,798,318.14 in 1936, an increase of 7.91%.

**EMPLOYEE RELATIONS** Internal relations among the people of your company

were on the traditional basis of understanding and confidence throughout the year. An exception arose in Cleveland, where negotiations with leaders representing a minority of the employees of the branch continued for over five months. The branch was already operating at a loss and when the representatives of these few men persisted in their demands, accompanied by threats of violence against workers, and in their refusal to consider the facts, the branch and the 17 routes operating in Cuyahoga County were closed.

**RESERVES** Assets have been conservatively valued and reserves have been provided by the application of the same principles in use for many years. Valuation of Jewel employees' trust fund assets at cost or market, whichever is lower, required a payment of \$40,004.84 by the company under the guarantee and that amount was charged to operations. Inventories were written down from cost to market in the amount of \$124,027.60 and the temporary protective inventory reserve of \$80,000 set aside on July 17, 1937 out of earnings in the first half year was used in this connection.

In March 1935 the Treasury Department levied an additional assessment against your company for federal income tax for the year 1932. After petition and hearings this case was settled by agreement in November 1937 for an additional tax assessment of \$2,812.55.

**TAXES** The mounting cost of taxation — federal, state, and municipal — is best shown by the following tabulations of your company's tax bill for each of the last six years:

TAX COST			
Year	Total	Per Share on 280,000 Shares Issued	Per Week Per Person Employed
1932	\$248,457	\$ .89	\$1.68
1933	426,897	1.52	2.49
1934	589,069	2.10	3.39
1935	676,717	2.42	3.88
1936	850,605	3.04	4.65
1937	991,908	3.54	5.21

The shifting of a larger portion of the tax burden to corporate enterprise continues, but the figures alone do not show the full effect of the increased costs of government or of the continually rising tide of tax collections because government has been spending more than is currently collected and has borrowed to meet the deficit. If public expenditures are to continue at the present level — disregarding both the probabilities of increased spending and even the present difficulties of taxpayers — it seems certain that taxes will continue to take an ever larger share of corporate earnings. Stockholders should note this strong tendency and must realize its ultimate effect upon their holdings. The present conditions and the prospects are such as to warrant your close personal interest and action.

**SURPLUS** Regular dividends at the annual rate of \$4 per share and a final dividend of 75c per share were paid in 1937. The surplus account was closed with a balance of \$2,618,478.67.

Results of your company's operations in 1937 are a measure of the loyal effort and close cooperation of all members of the organization.

M. H. KARKER, *President*

For the Board of Directors:  
JOHN M. HANCOCK, *Chairman*



# JEWEL TE

(A New York

## BALANCE

### ASSETS

#### Current Assets:

Cash on hand, demand and time deposits.....		\$ 1,391,259.40
Marketable securities at cost or market, whichever is lower, and interest (market quotation \$1,850,918.47).....		1,846,674.72
Accounts receivable:		
Trade customers, less reserve of \$40,725.32 for doubtful accounts ..	\$ 222,755.47	
Miscellaneous, less reserve of \$1,802.58 for doubtful accounts.....	39,042.26	
		<u>261,797.73</u>
Inventories at cost or market, whichever is lower:		
Raw materials.....	\$ 529,134.59	
Finished groceries.....	1,104,255.74	
Premiums .....	430,050.99	
		<u>2,063,441.32</u>
		<u>\$ 5,563,173.17</u>

#### Other Assets:

Common stock in treasury and held for employees, at cost or market, whichever is lower, less payments of \$15,756.64 thereon (6,066 shares of which 589 shares are under contract for sale to employees) .....	\$ 149,674.32
Loans to employees.....	5,966.88
Cash surrender value of life insurance policies.....	60,800.50
Miscellaneous investments and deposits .....	35,481.64
	<u>\$ 251,923.34</u>

#### Jewel Employees Trust Fund Assets:

Investments at cost or market, whichever is lower, and cash (Jewel employees surety and savings deposits, per contra).....	\$ 484,041.28
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#### Deferred Charges:

Premiums (at cost) advanced to customers, less reserve of \$204,805.86 for doubtful accounts .....	\$ 1,005,006.33
Unexpired insurance, expense supplies, etc.....	160,333.26
	<u>\$ 1,165,339.59</u>

#### Capital Assets:

(Appraised as of December 31, 1932, when book values were reduced \$404,537.66 to basis of current values, plus subsequent additions at cost)		
Land.....	\$ 1,396,374.02	\$ 476,465.38
Buildings.....	453,455.12	
Machinery, furniture and fixtures, at plants.....	1,695,101.17	
Branch and store equipment.....	\$ 3,544,930.31	
	<u>1,469,639.23</u>	<u>2,075,291.08</u>
Less reserve for depreciation.....		<u>\$ 2,551,756.46</u>
		<u>\$ 1.00</u>
Good Will.....		<u><u>\$10,016,234.84</u></u>



# A CO., INC.

Corporation)

## SHEET

JANUARY 1, 1938

### LIABILITIES

#### Current Liabilities:

Letters of credit and acceptances.....	\$ 59,922.82
Accounts payable, trade.....	236,116.58
Accrued wages and bonuses.....	371,004.62
Federal, state and other taxes accrued.....	517,840.93
Sundry accruals.....	6,982.84
	<u>\$ 1,191,867.79</u>

#### Liabilities for Real Estate Purchases:

Lease assumptions and lease adjustments, payable in monthly installments, of which \$12,400.82 is due within one year, and serial first mortgage of \$20,700.00 due May 1, 1941.....	\$ 77,652.46
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#### Jewel Employees Surety and Savings Deposits:

Principal and interest at the rate of 3% per annum guaranteed by Jewel Tea Co., Inc. (Jewel employees trust fund assets, per contra) .....	\$ 484,041.28
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#### Reserves:

For contingencies.....	\$ 285,000.00
For automobile accident and other self-insured losses .....	194,848.97
For alterations, improvement and development .....	228,883.33
	<u>\$ 708,732.30</u>

#### Capital Stock and Surplus:

Common Stock, no par value:	
Authorized.....	300,000 shares
Unissued .....	20,000 shares
Issued and outstanding.....	280,000 shares
Earned surplus, per annexed statement .....	\$ 4,935,462.34
	2,618,478.67
	<u>\$ 7,553,941.01</u>

Whereof \$149,674.32 represents the cost of 6,066 shares of common stock (after deducting payments of \$15,756.64 received on 589 shares under contract for sale to employees) reacquired for sale to employees and carried as an asset, the market quotation of which is \$281,477.36.

#### Contingent Liabilities:

Under contracts for coffee and other commodities not shipped at January 1, 1938 .....	<u>\$148,248.76</u>
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\$10,016,234.84

# JEWEL TEA CO., INC.

(A New York Corporation)

## INCOME AND SURPLUS ACCOUNT

For the Year Ended January 1, 1938

Net Sales .....	\$23,277,440.93
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### Deduct:

Cost of sales — including raw materials, labor, supplies, operating and general and administrative expenses, etc.....	\$19,912,422.00	
Depreciation — of buildings, machinery, furniture and fixtures, and automobiles.....	378,354.44	
Taxes — federal and state income, franchise, capital stock, excise, social security, sales, occupational, gasoline, mileage, personal property and real estate taxes, and automobile and business licenses —including provision of \$10,269.88 for federal surtax on undistributed profits.....	991,908.91	
Provision for doubtful accounts.....	186,189.38	
Rents .....	371,365.11	
Maintenance and repairs .....	141,831.53	21,982,071.37
		<u>\$ 1,295,369.56</u>

### Add:

Other income:		
Interest on securities .....	\$ 56,843.22	
Other miscellaneous income.....	187,707.30	244,550.52
		<u>\$ 1,539,920.08</u>

### Deduct:

Provision to reduce marketable securities to the basis of cost or market, whichever is lower, less profits (net) on sales of securities.....	87,800.52
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Net Profit for the Year .....	\$ 1,452,119.56
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Earned Surplus, January 2, 1937 .....	2,410,673.81
	<u>\$ 3,862,793.37</u>

### Deduct:

Dividends on common stock (\$4.75 per share).....	\$ 1,300,945.18	
Less adjustments arising from sale of common stock to employees...	56,630.48	1,244,314.70

Earned Surplus, January 1, 1938.....	<u><u>\$ 2,618,478.67</u></u>
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TO THE BOARD OF DIRECTORS,  
JEWEL TEA CO., INC.:

We have made an examination of the balance sheet of Jewel Tea Co., Inc. (a New York corporation) as at January 1, 1938 and of the income and surplus account for the year ended January 1, 1938. In connection therewith, we examined or tested the accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying balance sheet and related income and surplus account fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its financial position at January 1, 1938 and the results of its operations for the year then ended.

TOUCHE, NIVEN & CO.  
*Certified Public Accountants*

Chicago, Illinois  
January 29, 1938



## TABLE OF COMPARATIVE SALES AND EARNINGS

YEAR	SALES	EARNINGS	
		AMOUNT	PER SHARE ON COMMON STOCK*
1921	\$11,210,388	\$ 321,457	\$1.15
1922	10,240,810	152,149	.54
1923	12,554,875	624,200	2.23
1924	13,602,745	855,076	3.05
1925	14,178,478	838,947	3.00
1926	14,568,258	1,258,052	4.49
1927	14,532,336	1,261,391	4.50
1928	15,970,893	1,530,888	5.47
1929	16,844,110	1,691,302	6.04
1930	15,521,791	1,705,293	6.09
1931	13,742,691	1,363,780	4.87
1932	14,662,252	1,053,626	3.76
1933	14,377,593	909,325	3.25
1934	17,217,177	1,243,123	4.44
1935	18,804,498	1,536,186	5.49
1936	20,762,707	1,794,101	6.41
1937	23,277,441	1,452,120	5.19

\*Based on 280,000 shares.



# QUALITY PRODUCTS



- Your personal recommendation of Jewel Service adds vitality to this business. You and your friends are sincerely welcomed as Jewel customers.

## DIRECT TO THE HOME

Jewel brings the markets of the world direct to a million American homes. In forty-three states the coffee-brown car in front of a home is the sign of a smart shopper and a judge of fine foods.

## JEWEL FOOD STORES

Clean, white, self-service Jewel Food Stores offer a wide variety of quality foods to the shoppers of Chicagoland. Economical prices, courteous people, and guaranteed foods make friends for Jewel.



